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FIRE PROTECTION DISTRICT NO. 11
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Report on Compliance and Internal Control Over Financial Reporting

For the Year Ended September 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/26/03

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FINANCIAL INFORMATION SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fire Protection District No. 11
of the Parish of St. Mary
State of Louisiana
Jeanerette, Louisiana

We have audited the accompanying general purpose financial statements of Fire Protection District No. 11, a component unit of St. Mary Parish, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Fire Protection District No. 11's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Fire Protection District No. 11 as of September 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 24, 2003, on our consideration of Fire Protection District No. 11's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Pitts & Mathie". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

February 24, 2003

**FIRE PROTECTION DISTRICT NO. 11
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

COMBINED BALANCE SHEET- ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 2002

| | <u>General Fund</u> | <u>General Fixed Assets</u> | <u>Total (Memorandum Only)</u> |
|--|-----------------------------|---------------------------------|--|
| <u>Assets and other debits</u> | | | |
| Cash and cash equivalents | \$28,845 | | \$28,845 |
| Investments | 283,113 | | 283,113 |
| Other assets | 1,682 | | 1,682 |
| Property, plant, and equipment | | \$874,752 | 874,752 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets and other debits | \$313,640 | \$874,752 | \$1,188,392 |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Liabilities, equity, and other credits</u> | | | |
| Accounts payable and accrued expenses | \$1,673 | | \$1,673 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 1,673 | -- | 1,673 |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Equity and other credits</u> | | | |
| Investment in general fixed assets | | \$732,602 | 732,602 |
| Investment in general fixed assets - donations | | 142,150 | 142,150 |
| Fund balance -unreserved, undesignated | 311,967 | | 311,967 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total equity and other assets | 311,967 | 874,752 | 1,186,719 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities, equity, and other credits | \$313,640 | \$874,752 | \$1,188,392 |
| | <u> </u> | <u> </u> | <u> </u> |

The accompanying notes are an integral part of these financial statements.

**FIRE PROTECTION DISTRICT NO. 11
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
(The District's Only Fund)
For the Year Ended September 30, 2002**

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------------|-------------------|-------------------|--|
| <u>Revenues</u> | | | |
| Ad valorem taxes | \$155,597 | \$149,341 | (\$6,256) |
| Allocation from St. Mary Parish | 21,193 | 21,193 | |
| Investment earnings | 6,711 | 6,711 | |
| Miscellaneous | 450 | 450 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Total revenue | <u>183,951</u> | <u>177,695</u> | <u>(6,256)</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Public safety | | | |
| Repairs and maintenance | 13,687 | 10,007 | 3,680 |
| Professional fees | 5,705 | 5,705 | |
| Salaries and related expenses | 20,213 | 19,326 | 887 |
| Insurance | 14,618 | 14,986 | (368) |
| Utilities | 3,552 | 2,225 | 1,327 |
| Telephone and radio | 1,753 | 1,657 | 96 |
| Gas, fuel, oil | 1,941 | 1,797 | 144 |
| Supplies | 7,794 | 11,255 | (3,461) |
| Training | 313 | 238 | 75 |
| Equipment | 7,420 | 1,942 | 5,478 |
| Other | 2,101 | 5,534 | (3,433) |
| Capital outlay | 2,840 | 2,840 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>81,937</u> | <u>77,512</u> | <u>4,425</u> |
| Excess revenue over expenditures | 102,014 | 100,183 | (1,831) |
| Fund balances at beginning of period | <u>211,784</u> | <u>211,784</u> | <u> </u> |
| Fund balances at end of period | <u>\$313,798</u> | <u>\$311,967</u> | <u>(\$1,831)</u> |

The accompanying notes are an integral part of these financial statements.

FIRE PROTECTION DISTRICT NO. 11
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to the Financial Statements
September 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fire Protection District No. 11 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 1096 of the St. Mary Parish Council, on April 25, 1990, for the purpose of providing fire protection, medical assistance, and extrication rescue. The District encompasses all territory north of the Intracoastal Waterway in Wards one and two. The District's firefighters are volunteers of the Four Corners Volunteer Fire Department.

The financial statements of Fire Protection District No. 11 of the Parish of St. Mary have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a.. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the District is a component unit and integral part of St. Mary Parish Council (the primary government).

These financial statements include only the operations of the District.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

The District's current operations require the use of only one fund, the General Fund.

Governmental Funds

General Fund

The General Fund is the general operating fund of the District (special revenue fund at the Parish oversight level). It is used to account for all financial resources, since no other funds are required at this time.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The following is a summary of how the District accounts for its major sources of revenues and expenditures:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Ad valorem taxes (which are based on population and homesteads in the District) are recorded in the year the taxes are assessed.

Allocations from St. Mary Parish Council are recorded when the revenue has been collected by the tax collector and the Council has allocated the funds to the District.

Revenues from grants and intergovernmental revenues are recognized when management believes all significant grant or usage requirements have been met.

Investment earnings are generally recorded when earned since they are measurable and available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on general long-term debt which is not recognized until due.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General fund. The budget is a nonappropriated budget, which is approved by the Board of Commissioners in a manner authorized by statute. Encumbrances are not recorded by the District. Budgets are amended when needed upon approval by the Board.

E. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits.

Investments

The District invests in external investment pools. The pooled investments are recorded at amortized costs which approximate fair market.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Purchased fixed assets are valued at acquisition cost. Donated fixed assets are valued at estimated fair market value at the date of their donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

G. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The District is permitted by law to invest its funds in accounts and certificates of deposit in certain banks and other financial institutions located within the state. They may also invest in certain government backed securities and certain investment pools.

At year end, the carrying amount of the District's cash and cash equivalents was \$28,845, and the bank balance was \$30,398. All of the bank balance was covered by federal depository insurance.

Investments

Under state law the District may invest in certain federally guaranteed accounts, certain bank time certificates of deposit and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local government to pool their investment funds. LAMP is not registered with the SEC as an investment company. LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors. Shares values for the pool are valued at amortized cost which may vary slightly from the fair value.

At year end all of the District's invested funds were invested with LAMP. These investments total \$283,113 and are carried at amortized cost value which approximates fair value. These investment pool amounts have not been assigned a credit risk category since the District is not issued securities.

NOTE 3 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and taxes are considered delinquent January 1. Notices regarding seizures are sent out in April with the seizure date being May 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District actually receives most of the taxes in January.

NOTE 4 - FIXED ASSETS

A summary of the General Fixed Assets at September 30, 2002 are as follows:

| | <u>Balance</u> <u>9/30/01</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>9/30/02</u> |
|-----------|----------------------------------|------------------|-------------------|----------------------------------|
| Equipment | \$133,463 | \$2,840 | | \$136,303 |
| Vehicles | 606,574 | | | 606,574 |
| Buildings | <u>131,875</u> | <u> </u> | <u> </u> | <u>131,875</u> |
| Total | <u>\$871,912</u> | <u>\$2,840</u> | <u> -- </u> | <u>\$874,752</u> |

Fixed assets include fire trucks and fire fighting equipment donated by the Four Corners Volunteer Fire Department in 1992 totaling \$142,150.

NOTE 5 - PENSION PLAN

The District's employees are covered under the Federal Insurance Contributions Act (Social Security). The District makes the required contributions to the fund and is not responsible for the benefits.

NOTE 6 - LEASES

The District has no material long-term noncancelable lease commitments at September 30, 2002.

NOTE 7 - COMPENSATION PAID COMMISSIONERS

The commissioners received the following per diems for the year ended September 30, 2002:

| <u>Name</u> | <u>Amount</u> |
|-------------------|----------------|
| James Bodin | \$ 270 |
| Merker Broussard | 360 |
| Anthony Jordon | 360 |
| Marcel Marquette | 210 |
| Peterson Matthews | <u>360</u> |
| | <u>\$1,560</u> |

NOTE 8 - RELATED PARTIES

The Four Corners Volunteer Fire Department provides volunteer firefighters for Fire Protection District No. 11.

The District is also a related party of the St. Mary Parish Council, the primary government. See Note 1 for further explanation of this relationship. The Council allocated approximately \$20,000 in funds to the District during the year ended September 30, 2002.

NOTE 9 - CONCENTRATIONS

The majority of the District's revenues come from property tax revenue. The property taxes collected during 2002 accounted for approximately 84% of total operating revenue.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils.

There were no significant reductions in insurance coverages from prior years.

NOTE 11 - COMMITMENT

Subsequent to year end, the District entered into a contract to purchase two new fully equipped fire trucks for a total cost of approximately \$300,000.

NOTE 12 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The District is required to implement this standard for the fiscal year ending September 30, 2003. The District has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements. However, GASB Statement 34 requires that governmental entities provide a provision for depreciation of fixed assets as if the fixed assets had been depreciated since their acquisition. The District estimates that the value of fixed assets would be reduced by approximately \$400,000 by this provision for prior accumulated depreciation.

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Fire Protection District No. 11
of the Parish of St. Mary
State of Louisiana
Jeanerette, Louisiana

We have audited the general purpose financial statements of Fire Protection District No. 11, a component unit of St. Mary Parish, as of and for the year ended September 30, 2002, and have issued our report thereon dated February 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

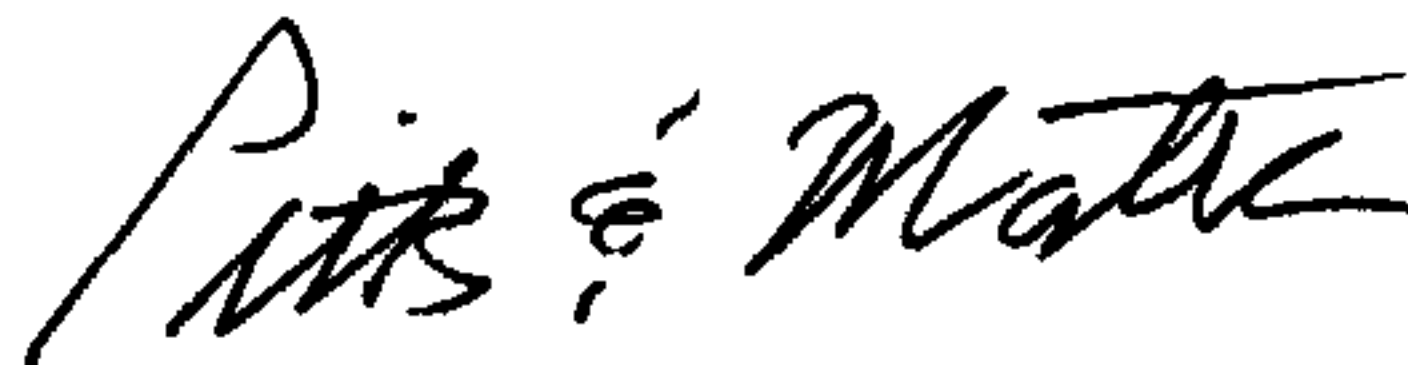
As part of obtaining reasonable assurance about whether Fire Protection District No. 11's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fire Protection District No. 11's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect Fire Protection District No. 11's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. This item is discussed in the accompanying material weaknesses section of this report as item No. 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition mentioned above to be a material weakness.

This report is intended for the information of the management of the District, the Legislative Auditor of the State of Louisiana, and the finance committee of the St. Mary Parish Council. However, this report is a matter of public record and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

February 24, 2003

FIRE PROTECTION NO. 11
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA
Schedule of Findings, Questioned Costs and Federal Awards
For the Year Ended September 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the Fire Protection District No. 11 of the Parish of St. Mary, State of Louisiana (District).

2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

There was one reportable condition in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance

There were no material instances of noncompliance noted during the audit of the financial statements.

3. Federal Awards

This section is not applicable for the year ended September 30, 2002.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Segregation of Duties

ITEM NO. 2002-1

Segregation of Duties

Auditors' Comments

Condition: While performing audit tests and inquiring about internal control, we discovered that there is very little segregation of duties within the District's accounting function.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The District has limited personnel.

Management's Comments:

Our board has discussed this matter and we feel that any improvement in controls gained by hiring additional personnel would be outweighed by the costs associated with the additional personnel.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2002.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH FIRE PROTECTION DISTRICT NO. 11

Material Weakness

Item No. 2001-1

Segregation of Duties

Condition: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties with the District's accounting functions.

Corrective Action: After discussion of this matter, our board feels that any improvement in controls gained by hiring additional personnel would be outweighed by the costs associated with the additional personnel.

Management Letter

Finding: 2001-A

Prohibited transactions under Code of Ethics for Public Officials and Public Employees

Condition: While performing the audit for the year ended September 30, 2000, our auditors found that the District's Fire Chief is periodically reimbursed for expenditures made in behalf of the District. They further found that the Fire Chief was reimbursed for some items purchased from his store.

Corrective Action: This situation was corrected in March 2001.

**Four Corners Volunteer Fire Department
Fire Protection District No. 11**

1205 BIG FOUR CORNERS ROAD
JEANERETTE, LA. 70544

March 3, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Austin,

The St. Mary Parish Fire Protection District No. 11 respectfully submits the following corrective action plan for their year ended September 30, 2002.

CORRECTIVE ACTION:

Person Responsible: Peterson Mathews
St. Mary Parish Fire Protection District #11
1205 Big Four Corners Road
Jeanerette, La. 70544

Time for completion: Completed

ITEM OF INTERNAL CONTROL: Item 2002-1

Segregation of Duties: While performing our audit tests and inquiring about internal control, we discovered that there is very little segregation of duties within the District's accounting system.

Corrective Action: Our board has discussed this matter and we feel that any improvements in controls gained by hiring additional personnel would be outweighed by the costs associated with the additional personnel.


Peterson Mathews
Chairman